

ACADIA-ST. LANDRY HOSPITAL  
SERVICE DISTRICT

FINANCIAL REPORT

JUNE 30, 2013

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## INDEPENDENT AUDITORS' REPORT

WEB SITE  
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Board of Commissioners  
 Acadia-St. Landry Hospital Service District  
 Church Point, Louisiana

We have audited the accompanying financial statements of the Acadia-St. Landry Hospital Service District, a component unit of the Acadia Parish Police Jury, which comprise the statements of net position, as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Acadia-St. Landry Hospital Service District, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Acadia-St. Landry Hospital Service District's basic financial statements. The supplementary information on pages 25 through 34 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Acadia-St. Landry Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Acadia-St. Landry Hospital Service District's internal control over financial reporting and compliance.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

## **BASIC FINANCIAL STATEMENTS**

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Statements of Net Position  
June 30, 2013 and 2012

|  | <u>2013</u>        | <u>2012</u>        |
|--|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |
| <b>CURRENT ASSETS</b>  |                    |                    |
| Cash and cash equivalents  | \$1,061,292        | \$1,308,928        |
| Patient accounts receivable, net of estimated uncollectibles of<br>\$573,000 and \$610,000 for 2013 and 2012, respectively               | 2,955,268          | 1,360,991          |
| Inventories  | 265,194            | 245,923            |
| Prepaid expenses   | 45,031             | 51,213             |
| Estimated third-party payor settlements  | 151,188            | 1,022,785          |
| Short-term investments   | 2,013,943          | 70,088             |
| Other receivables  | <u>8,622</u>       | <u>21,592</u>      |
| Total current assets   | <u>6,500,538</u>   | <u>4,081,520</u>   |
| <b>OTHER ASSETS</b>  |                    |                    |
| Other long-term investments  | <u>-</u>           | <u>2,105,267</u>   |
| <b>CAPITAL ASSETS</b>  |                    |                    |
| Property, plant and equipment, at cost, less accumulation depreciation<br>of \$4,189,769 and \$4,018,118 for 2013 and 2012, respectively | <u>2,488,958</u>   | <u>1,959,639</u>   |
| Total assets   | <u>\$8,989,496</u> | <u>\$8,146,426</u> |
| <b>LIABILITIES AND NET POSITION</b>  |                    |                    |
| <b>CURRENT LIABILITIES</b>   |                    |                    |
| Accounts payable   | \$ 640,759         | \$ 491,363         |
| Accrued expenses   | 347,033            | 310,498            |
| Estimated third-party payor settlements  | <u>227,602</u>     | <u>57,528</u>      |
| Total current liabilities  | <u>1,215,394</u>   | <u>859,389</u>     |
| <b>NET POSITION</b>  |                    |                    |
| Invested in capital assets net of related debt   | 2,488,958          | 1,959,639          |
| Unrestricted   | <u>5,285,144</u>   | <u>5,327,398</u>   |
| Total net position   | <u>7,774,102</u>   | <u>7,287,037</u>   |
| Total liabilities and net position   | <u>\$8,989,496</u> | <u>\$8,146,426</u> |

The accompanying notes are an integral part of the financial statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2013 and 2012

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Operating revenues:   |                     |                     |
| Net patient service revenues (net of provision for bad debts of<br>\$724,278 in 2013 and \$630,381 in 2012) | \$11,418,901        | \$10,863,107        |
| Other operating revenues  | <u>1,082,001</u>    | <u>422,182</u>      |
| Total operating revenues  | <u>12,500,902</u>   | <u>11,285,289</u>   |
| Operating expenses:   |                     |                     |
| Salaries and wages  | 3,789,351           | 3,608,289           |
| Professional services   | 890,941             | 871,807             |
| Other departmental expenses   | 7,427,522           | 6,390,162           |
| Depreciation and amortization   | <u>171,651</u>      | <u>186,738</u>      |
| Total operating expenses  | <u>12,279,465</u>   | <u>11,056,996</u>   |
| Operating Income  | <u>221,437</u>      | <u>228,293</u>      |
| Non-operating revenues (expenses):  |                     |                     |
| Ad valorem taxes  | 274,942             | 272,373             |
| Realized and unrealized gain (loss) on investments  | (77,203)            | 53,224              |
| Interest expense  | -                   | (3,999)             |
| Investment income   | 58,800              | 75,865              |
| Net income from joint venture   | -                   | 32,042              |
| Non-capital grants  | <u>9,089</u>        | <u>7,405</u>        |
| Total non-operating revenues (expenses)   | <u>265,628</u>      | <u>436,910</u>      |
| Increase in net position  | 487,065             | 665,203             |
| Net position, beginning   | <u>7,287,037</u>    | <u>6,621,834</u>    |
| Net position, ending  | <u>\$ 7,774,102</u> | <u>\$ 7,287,037</u> |

The accompanying notes are an integral part of the financial statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Statements of Cash Flows  
For the Years Ended June 30, 2013 and 2012

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                     |                     |
| Receipts from and on behalf of patients                         | \$ 10,866,295       | \$ 10,351,851       |
| Payments to suppliers and contractors                           | (8,182,156)         | (7,312,532)         |
| Payments to employees   | (3,752,816)         | (3,593,848)         |
| Other receipts and payments, net                                | 1,082,060           | 422,279             |
| Net cash provided (used) in operating services                  | <u>13,383</u>       | <u>(132,250)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                     |                     |
| Ad valorem taxes  | 274,535             | 270,840             |
| Noncapital grants and donations                                 | 9,089               | 7,405               |
| Net cash provided by noncapital financing activities            | <u>283,624</u>      | <u>278,245</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                     |                     |
| Interest paid on capital lease obligations                      | -                   | (3,999)             |
| Principal payments under capital lease obligations              | -                   | (7,012)             |
| Capital grants and donations                                    | 2,503               | 14,038              |
| Payments for the purchase of property and equipment             | (700,970)           | (541,246)           |
| Net cash used in capital and related financing activities       | <u>(698,467)</u>    | <u>(538,219)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                     |                     |
| Investment income   | 69,615              | 76,417              |
| Investment in joint venture                                     | -                   | 43,552              |
| Maturities of investments                                       | 2,670,731           | 1,485,034           |
| Purchases of investments  | (2,586,522)         | (1,208,697)         |
| Net cash provided by investing activities                       | <u>153,824</u>      | <u>396,306</u>      |
| Net increase (decrease) in cash and cash equivalents            | (247,636)           | 4,082               |
| Cash and cash equivalents, beginning of year                    | <u>1,308,928</u>    | <u>1,304,846</u>    |
| Cash and cash equivalents, end of year                          | <u>\$ 1,061,292</u> | <u>\$ 1,308,928</u> |

(Continued)



ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Statements of Cash Flows (Continued)  
For the Years Ended June 30, 2013 and 2012

|   | <u>2013</u>         | <u>2012</u>        |
|---|---------------------|--------------------|
| RECONCILIATION OF OPERATING INCOME TO NET<br>CASH PROVIDED (USED) IN OPERATING ACTIVITIES               |                     |                    |
| Operating income  | \$ 221,437          | \$ 228,293         |
| Adjustments to reconcile operating income to net cash flows<br>provided (used) by operating activities: |                     |                    |
| Depreciation and amortization   | 171,651             | 186,738            |
| Provision for bad debts   | 724,278             | 630,381            |
| (Increase) decrease in assets-  |                     |                    |
| Patient accounts receivable   | (2,318,555)         | (705,596)          |
| Inventories   | (19,271)            | (23,203)           |
| Prepaid expenses  | 6,182               | 1,790              |
| Estimated third-party payor settlements   | 1,041,671           | (436,041)          |
| Other receivables   | 59                  | 97                 |
| Increase (decrease) in liabilities-   |                     |                    |
| Accounts payable  | 149,396             | (29,150)           |
| Accrued expenses  | 36,535              | 14,441             |
| Net cash provided (used) in operating activities  | <u>\$ 13,383</u>    | <u>\$(132,250)</u> |
| Noncash investing activities:   |                     |                    |
| Increase (decrease) in fair value of investments  | <u>\$ (166,036)</u> | <u>\$ 35,190</u>   |

The accompanying notes are an integral part of the financial statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements

(1) Organization and Significant Accounting Policies

Acadia-St. Landry Hospital Service District (the “Hospital Service District”) was established in 1967, by the Acadia and St. Landry Parish Police Juries, by virtue of the authority of Louisiana Revised Statutes (R. S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to Acadia and St. Landry parishes. The Board of Commissioners is appointed by the Acadia and St. Landry Parish Police Juries.

On November 1, 2004, the Hospital Service District converted from an Acute Inpatient Prospective Payment System (IPPS) Hospital to a Critical Access Hospital (CAH). This conversion significantly changed the way the Hospital Service District was being reimbursed for Medicare patients. Under the previous Medicare payment methodology, the Hospital Service District was being paid on a Prospective Payment System (PPS). Under the CAH Medicare payment methodology, the Hospital Service District is paid 101% of its reasonable costs for Medicare purposes, except for Inpatient Psychiatric services which were paid based on a blend of reasonable cost and PPS, subject to various limits and rules up to June 30, 2008. As of June 30, 2009, the Hospital Service District was fully PPS for Inpatient Psychiatric services.

A. Reporting Entity

As the governing authority of the Parish, for reporting purposes, the Acadia Parish Police Jury is the financial reporting entity for the Hospital Service District. Accordingly, the Hospital Service District was determined to be a component unit of the Acadia Parish Police Jury. The accompanying financial statements present only the Hospital Service District.

B. Basis of Accounting

The accompanying basic financial statements of the Hospital Service District have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital Service District are described below.

The Hospital Service District utilizes the proprietary fund method of accounting whereby all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and the accrual basis of accounting. The Hospital Service District’s accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *AICPA Audits of Providers of Health Care Services* published by the American Institute of Certified Public Accountants.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

On July 1, 2001, the Hospital Service District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments." Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows. It requires the classification of fund net position into three components -invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- (1) Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- (2) Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash includes coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents include time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

E. Trade Receivables and Allowance for Uncollectible Accounts

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written-off are recorded when received.

F. Investments

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned. Investments include certificates of deposit, direct obligations of the U. S. Government and its agencies and commercial paper issued by the United States corporations with rating of at least A-1 (Moody's) and P-1 (Standard and Poor's). It is the Hospital Service District's intention to hold investments to maturity.

G. Inventories

Inventories are valued at the latest invoice price which approximates the lower of cost (first-in, first-out method) or market.

H. Net Patient Service Revenues

The Hospital Service District has agreements with third-party payors, which includes government programs which the Hospital Service District is paid based upon established charges, the cost of providing services, predetermined diagnosis rates, fixed per diem rates or discounts from established charges. Revenues are recorded at established charges. Revenues are recorded at estimated amounts due from patients and third-party payors for the services provided.

Net patient service revenues are reported at the estimated amounts realizable from patients, the third-party payer, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital Service District provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or may lack adequate insurance. As a result, the Hospital Service District is exposed to credit risks. The Hospital Service District manages such risks by providing appropriate allowances. The allowances are evaluated on a regular basis and are based upon management's periodic review of the collectability of the accounts considering historical experience, the nature and volume of the accounts and the agreement with the prospective third-party payer.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

I. Property, Plant and Equipment

The Hospital Service District records all property, plant and equipment acquisitions at historical cost, except for assets donated to the Hospital Service District. Donated assets are recorded at fair market value at the date of donation.

The Hospital Service District provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the financial statements. The following estimated useful lives are generally used:

|                           |             |
|---------------------------|-------------|
| Building and improvements | 15-20 years |
| Equipment                 | 3-20 years  |

J. Grants and Donations

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

K. Operating Revenues and Expenses

The Hospital Service District's statements of revenues, expenses and changes in net assets distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital Service District's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

L. Income Taxes

The Hospital Service District is a political subdivision and exempt from taxes.

M. Advertising

The Hospital Service District expenses advertising cost as incurred. Advertising expense for the years ended June 30, 2013 and 2012 totaled \$28,623 and \$20,227 respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

N. Risk Management

The Hospital Service District is exposed to various risks of loss from tort; theft of, damage to and destruction of assets; business interpretation; errors or omissions; employee injuries and illnesses; natural disasters; medical malpractice and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

O. Restricted Resources

When the Hospital Service District has both restricted and unrestricted resources available to finance a particular program, it is the Hospital Service District's policy to use restricted resources before unrestricted resources.

P. Environmental Matters

The Hospital Service District is subject to laws and regulations relating to the protection of the environment. The Hospital Service District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital Service District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital Service District. At June 30, 2013 and 2012, management is not aware of any liability resulting from environmental matters.

Q. Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

R. Recent Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement is effective for financial statements for years beginning after December 15, 2011. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. The adoption of this statement does not have a material impact on the financial statements.



ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

In March 2012, GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The statement is effective for financial statements for years beginning after December 15, 2012. This statement established accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Hospital Service District has not elected to implement this statement early; however, the adoption of this statement does not have a material impact on the financial statements.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions", which revises and establishes new financial reporting requirements for most governments that provided their employees with pension benefits. Among other provisions, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). This statement calls for the immediate recognition of more pension expense than is currently required. The provisions in Statement No. 67 are effective for financial statements with periods beginning after June 15, 2013. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014. The Hospital Service District has not elected to implement these statements early; however, the Hospital Service District is currently evaluating the impact of these statements on the basic financial statements.

(2) Net Patient Service Revenues

The Hospital Service District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

*Medicare* – On November 1, 2004, the Hospital Service District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed on a blended cost and PPS reimbursement methodology subject to certain limitations.

The Hospital Service District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicare fiscal intermediary. The Hospital Service District's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2010.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
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Notes to Financial Statements (Continued)

*Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital Service District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicaid fiscal intermediary. The Hospital Service District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2008.

During the years ended June 30, 2012 and 2011, approximately 87.3% and 85.0%, respectively, of the Hospital Service District's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year cost reports, the Hospital Service District recorded changes in estimates resulting in a decrease in net patient service revenues of approximately \$121,310 and \$607 for the years ending June 30, 2013 and 2012, respectively.

The Hospital Service District received \$0 and \$355,750 as interim amounts for Medicaid and self-pay uncompensated care cost for the years ended June 30, 2013 and 2012, respectively, which is approximately 0% and 3.3% of net patient service revenue, respectively. These amounts were based on uncompensated care cost incurred in previous years. Current regulations limit uncompensated care cost incurred by the Hospital Service District in each state fiscal year. These amounts are subject to audit by Medicaid and any overpayments will be recouped. Management has estimated a reserve liability for the possible recoupment of these uncompensated care cost payments in the amount of \$57,528 for 2013 and 2012. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

Future uncompensated cost payments are dependent upon state appropriations, which require approval by the state legislature. If the state should not fund or substantially change this program, it could have a significant impact on the Hospital Service District's revenue.

The Hospital Service District has entered into payment arrangements with certain commercial insurance carriers, health maintenance organization and preferred provider organizations. The basis for payment to the Hospital Service District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined rates.

(3) Deposits and Investments

The Hospital Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; investment grade (A-1/P-1) commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation or Moody's Investors Service; government backed mutual trust funds; and mutual funds which invest in equities and fixed income securities.



ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
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Notes to Financial Statements (Continued)

Effective July 1, 2012, R.S. 33:2957 was enacted by the Legislature of Louisiana relative to the investments of hospital service districts, stating that any hospital service district may invest its funds as provided by R.S. 46:1073.1, except as provided therein. R.S. 46:1073.1 allows hospital service districts to invest funds as provided by law for investment of funds of the Louisiana State Employee Retirement System (LASERS), including but not limited to R.S. 11:263; however, any such investment may be made only in compliance with rules and regulations established by the hospital service district commission and in compliance with the provisions of R.S. 11:263 and any other law which provides for investments in which funds of LASERS may be used.

The Hospital Service District's investments generally are reported at fair value, as discussed in Note 1. At June 30, 2013 and 2012, the Hospital Service District had the following investments and maturities, all of which were held in the Hospital Service District's name by a custodial bank that is an agent of the Hospital Service District.

| June 30, 2013   |                     | Investment Maturities (In Years) |             |             |              |
|-----------------|---------------------|----------------------------------|-------------|-------------|--------------|
| Investment Type | Carrying Amount     | Less Than 1                      | 1-5         | 6-10        | More than 10 |
| Mutual funds:   |                     |                                  |             |             |              |
| Equities        | \$ 1,034,110        | \$ 1,034,110                     | \$ -        | \$ -        | \$ -         |
| Fixed income    | 979,832             | 979,832                          | -           | -           | -            |
| Total           | <u>\$ 2,013,942</u> | <u>\$ 2,013,942</u>              | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>  |

| June 30, 2012            |                     | Investment Maturities (In Years) |                     |                   |                   |
|--------------------------|---------------------|----------------------------------|---------------------|-------------------|-------------------|
| Investment Type          | Carrying Amount     | Less Than 1                      | 1-5                 | 6-10              | More than 10      |
| Federal Farm Credit Bank | \$ 570,155          | \$ -                             | \$ 247,613          | \$ 322,542        | \$ -              |
| Federal Home Loan Bank   | 210,484             | -                                | -                   | -                 | 210,484           |
| Federal Home Loan Mtg    | 522,057             | 70,888                           | 330,701             | 121,268           | -                 |
| Federal Nat'l Mtg Assoc. | 118,365             | -                                | 118,365             | -                 | -                 |
| U. S. Treasuries         | 754,294             | -                                | 528,414             | 225,880           | -                 |
| Total                    | <u>\$ 2,175,355</u> | <u>\$ 70,888</u>                 | <u>\$ 1,225,093</u> | <u>\$ 669,690</u> | <u>\$ 210,484</u> |

*Interest Rate Risk* – The Hospital Service District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
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Notes to Financial Statements (Continued)

*Credit Risk* – Statutes authorize the Hospital Service District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, and equities. At June 30, 2013, the Hospital Service District did not have any rated investments. As of June 30, 2012, the Hospital Service District's investments in the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage and Federal Farm CR Bank were rated AA+ by Standard & Poor's and AAA by Moody's Investor Services.

*Concentration of Credit Risk* – In compliance with State statutes, the Hospital Service District "may invest more than 55% of the total portfolio in equities, so long as not more than 65% of the total portfolio is invested in equities and at least 10% of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices." The Hospital Service District may place no more than 5% of the market value of the fixed income portion of the portfolio in any one issuer at the time of purchase. However, there is no limit on the holdings of the direct obligations issued or guaranteed by the United States Government or its agencies.

At June 30, 2013, the Hospital Service District's investments consisted of mutual funds. At June 30, 2012, more than 5% of the Hospital Service District's investments were invested in the Federal Agency Bonds. Investments as of June 30, 2012, consisted of 26.2% in Federal Farm Credit Bank, 9.7% in Federal Home Loan Bank, 24% in Federal Home Loan Mortgage, and 5.4% in Federal National Mortgage Association.

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the Hospital Service District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital Service District policy requires that all bank balances be insured or collateralized by the financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. The Hospital Service District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital Service District's name at June 30, 2013 and 2012.

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Carrying amount:                                  |                     |                     |
| Deposits  | \$ 1,061,292        | \$ 1,308,928        |
| Investments                                       | <u>2,013,943</u>    | <u>2,175,355</u>    |
|   | <u>\$ 3,075,235</u> | <u>\$ 3,484,283</u> |
| Included in the following balance sheet captions: |                     |                     |
| Cash and cash equivalents                         | \$ 1,061,292        | \$ 1,308,928        |
| Short-term investments                            | 2,013,943           | 70,088              |
| Other long-term investments                       | <u>-</u>            | <u>2,105,267</u>    |
|   | <u>\$ 3,075,235</u> | <u>\$ 3,484,283</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

(4) Accounts Receivable

Patient accounts receivable reported as current assets by the Hospital Service District at June 30, 2013 and 2012 consisted of the following:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Receivable from patients and their insurance carriers | \$ 863,888          | \$ 698,206          |
| Receivable from Medicare                              | 2,249,165           | 929,846             |
| Receivable from Medicaid                              | <u>415,215</u>      | <u>342,939</u>      |
| Total patient accounts receivable                     | 3,528,268           | 1,970,991           |
| Less allowance for uncollectible amounts              | <u>(573,000)</u>    | <u>(610,000)</u>    |
| Patient accounts receivable, net                      | <u>\$ 2,955,268</u> | <u>\$ 1,360,991</u> |

(5) Ad Valorem Taxes

The Hospital Service District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, at which time the Hospital Service District records the tax revenue, and become a lien in the following March. The taxes are based on assessed values determined by the Tax Assessor and are collected by the Sheriff. The Hospital Service District levied 7.67 mills for the fiscal years ended 2013 and 2012.

For the years ended June 30, 2013 and 2012, property tax revenues totaled \$274,942 and \$272,373, net of pension deductions, respectively.

(6) Concentrations of Credit Risks

The Hospital Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2013 and 2012 was as follows:

|                          | <u>2013</u>   | <u>2012</u>   |
|--------------------------|---------------|---------------|
| Medicare                 | 63.9%         | 57.3%         |
| Medicaid                 | 11.8%         | 21.1%         |
| Other third-party payors | 16.4%         | 17.8%         |
| Patients                 | <u>7.9%</u>   | <u>3.8%</u>   |
|                          | <u>100.0%</u> | <u>100.0%</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

(7) Estimated Third-Party Settlements

The following is a schedule of estimated third-party payors settlements (payable) receivable:

June 30, 2013:

| <u>Cost Report Year</u> | <u>Medicare</u>     | <u>Medicaid</u>   | <u>UCC</u>         | <u>Total</u>       |
|-------------------------|---------------------|-------------------|--------------------|--------------------|
| 2009                    | \$ -                | \$ 20,727         | \$ -               | \$ 20,727          |
| 2010                    | -                   | -                 | (57,528)           | (57,528)           |
| 2011                    | -                   | 31,156            | -                  | 31,156             |
| 2012                    | 555                 | 34,510            | -                  | 35,065             |
| 2013                    | (170,629)           | 64,795            | -                  | (105,834)          |
| Totals                  | <u>\$ (170,074)</u> | <u>\$ 151,188</u> | <u>\$ (57,528)</u> | <u>\$ (76,414)</u> |

June 30, 2012:

| <u>Cost Report Year</u> | <u>Medicare</u>   | <u>Medicaid</u>   | <u>UCC</u>         | <u>Total</u>      |
|-------------------------|-------------------|-------------------|--------------------|-------------------|
| 2009                    | \$ -              | \$ 20,727         | \$ -               | \$ 20,727         |
| 2010                    | -                 | 14,420            | (57,528)           | (43,108)          |
| 2011                    | -                 | 31,154            | -                  | 31,154            |
| 2012                    | 858,640           | 97,844            | -                  | 956,484           |
| Totals                  | <u>\$ 858,640</u> | <u>\$ 164,145</u> | <u>\$ (57,528)</u> | <u>\$ 965,257</u> |

(8) Capital Assets

Capital asset additions, retirements and balances for the years ended June 30, 2013 and 2012 were as follows:

|                                       | <u>7/1/2012</u>     | <u>Additions</u>  | <u>Retirements</u> | <u>6/30/2013</u>    |
|---------------------------------------|---------------------|-------------------|--------------------|---------------------|
| Capital assets not being depreciated: |                     |                   |                    |                     |
| Land                                  | \$ 120,025          | \$ -              | \$ -               | \$ 120,025          |
| Construction in progress              | 463,879             | 629,561           | 11,420             | 1,082,020           |
| Other capital assets:                 |                     |                   |                    |                     |
| Land improvements                     | 38,705              | -                 | -                  | 38,705              |
| Buildings and improvements            | 2,895,173           | 29,249            | -                  | 2,924,422           |
| Equipment                             | 2,459,975           | 53,580            | -                  | 2,513,555           |
| Total                                 | <u>5,977,757</u>    | <u>712,390</u>    | <u>11,420</u>      | <u>6,678,727</u>    |
| Less accumulated depreciation:        |                     |                   |                    |                     |
| Land improvements                     | 37,991              | 122               | -                  | 38,113              |
| Buildings and improvements            | 1,955,970           | 76,532            | -                  | 2,032,502           |
| Equipment                             | 2,024,157           | 94,997            | -                  | 2,119,154           |
| Total depreciation                    | <u>4,018,118</u>    | <u>171,651</u>    | <u>-</u>           | <u>4,189,769</u>    |
| Capital assets, net                   | <u>\$ 1,959,639</u> | <u>\$ 540,739</u> | <u>\$ 11,420</u>   | <u>\$ 2,488,958</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

|                                       | 7/1/2011            | Additions         | Retirements | 6/30/2012           |
|---------------------------------------|---------------------|-------------------|-------------|---------------------|
| Capital assets not being depreciated: |                     |                   |             |                     |
| Land                                  | \$ 120,025          | \$ -              | \$ -        | \$ 120,025          |
| Construction in progress              | 4,522               | 459,357           | -           | 463,879             |
| Other capital assets:                 |                     |                   |             |                     |
| Land improvements                     | 38,705              | -                 | -           | 38,705              |
| Buildings and improvements            | 2,861,438           | 33,735            | -           | 2,895,173           |
| Equipment                             | 2,411,821           | 48,154            | -           | 2,459,975           |
| Total                                 | <u>5,436,511</u>    | <u>541,246</u>    | <u>-</u>    | <u>5,977,757</u>    |
| Less accumulated depreciation:        |                     |                   |             |                     |
| Land improvements                     | 37,869              | 122               | -           | 37,991              |
| Buildings and improvements            | 1,878,214           | 77,756            | -           | 1,955,970           |
| Equipment                             | 1,915,297           | 108,860           | -           | 2,024,157           |
| Total depreciation                    | <u>3,831,380</u>    | <u>186,738</u>    | <u>-</u>    | <u>4,018,118</u>    |
| Capital assets, net                   | <u>\$ 1,605,131</u> | <u>\$ 354,508</u> | <u>\$ -</u> | <u>\$ 1,959,639</u> |

Depreciation expense for the years ended June 30, 2013 and 2012 amounted to \$171,651 and \$186,738, respectively.

(9) Compensated Absences

Effective February 2002, full-time employees accrued four (4) hours of paid time off (PTO) per pay period, while part-time employees accrued PTO at a rate of four (4) percent of total hours worked per pay period until April of 2006. On that date, full-time employees with years of service of one (1) to five (5) years began accruing 5.23 hours of PTO per pay period, while full-time employees with years of service of five (5) or more years began accruing 6.77 hours of PTO per pay period. Part-time employees accrue PTO at a rate of four (4) percent of total hours worked per pay period and may accumulate up to a maximum of 300 PTO hours. Full-time employees may accumulate PTO hours to a maximum of 350 hours. When the employee reaches the maximum, further accumulation is ceased until PTO time is used; there is no cash option associated with this maximum bank. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital Service District's policy is to recognize the cost of unvested sick pay when actually paid to employees. Accrued compensated absences, which are included in accrued expenses, at June 30, 2013 and 2012 totaled \$168,707 and \$158,838, respectively.

(10) Operating Leases

The Hospital Service District leases various equipment under operating leases expiring at various dates through 2017. Total rental expense for the years ended June 30, 2013 and 2012 for all operating leases was approximately \$744,579 and \$401,545, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

The following is a schedule by year of future minimum lease payments under leases that have initial or remaining lease terms in excess of one year.

| Years Ending<br>June 30, | Amount           |
|--------------------------|------------------|
| 2014                     | \$371,357        |
| 2015                     | 261,123          |
| 2016                     | 91,824           |
| 2017                     | 20,275           |
| Total                    | <u>\$744,579</u> |

(11) Deferred Compensation

The Hospital Service District offers employees a deferred compensation plan (Plan), which all employees are eligible to participate. The Plan was adopted under the provisions of Internal Revenue Code Section 457, and is administered by Security Benefit. The Hospital Service District does not have managerial or financial responsibility for plan assets. The Hospital Service District will match half (50%) of the employees' contributions to the plan up to a maximum of 5% of the employees gross income per pay period. The Hospital Service District contributed \$34,644 and \$19,932 as of June 30, 2013 and 2012, respectively.

(12) Professional and General Liability Risk

The Hospital Service District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 for which the Hospital Service District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provided settlement for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

The Hospital Service District has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the Hospital Service District's best estimates of the ultimate costs of reported and unreported claims, using the Hospital Service District's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses on medical malpractice and general liability claims are recorded based on management's estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Notes to Financial Statements (Continued)

(13) Contingencies

The Hospital Service District evaluates contingencies based upon the best available evidence. The Hospital Service District believes that no loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital Service District's estimates, future earning will be charged or credited.

The principle contingencies are described below:

Third-party Government Revenues (Note 2) – Cost reimbursements are subject to examination by agencies administering the programs. The Hospital Service District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government program participating requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital Service District is in compliance with fraud and abuse statutes as well as other applicable governmental laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Patient Protection and Affordable Healthcare Act (PPACA) was signed into law on March 23, 2010. In addition, the Health Care and Education Affordability Reconciliation Act (Reconciliation Act), which contains a number of amendments to the PPACA, was signed into law on March 30, 2010. These healthcare bills (collectively, the "Reform Legislation") seek to increase the number of persons with access to health insurance coverage. The reform legislation makes a number of other changes to Medicare and Medicaid, such as reductions to the annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the market basket update beginning October 1, 2011, and a reduction to disproportionate share payments. The various provisions in the Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years.

Also included in the Reform Legislation are provisions aimed at reducing fraud, waste and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Reform Legislation amends several existing federal laws, including the Medicare Anti-Kickback Statute and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers. These amendments also make it easier for potentially severe fines and penalties to be imposed on healthcare providers accused of violating applicable laws and regulations.



ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
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Notes to Financial Statements (Continued)

Management cannot predict the impact that Reform Legislation may have on the Hospital's financial position, results of operations or changes in net assets or cash flows.

Litigation and Other Matters – the Hospital Service District is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

(14) Grant – Rural Hospital Upper Payment Limit (UPL)

The Hospital routinely provides a substantial amount of uncompensated care to patients in its service area. To receive adequate reimbursement for the essential healthcare services provided to disadvantaged and low income populations, the Hospital entered into a grant distribution cooperative endeavor agreement with Building Healthy Communities, Inc. (BHC).

Under this agreement, BHC has agreed to cooperate in the establishment of a funding program by contributing a portion of the Upper Payment Limit (UPL) payments that result from Medicaid State Plan Amendments (SPA) to rural hospitals, including Acadia-St. Landry Hospital Service District. The purpose of the UPL payments is to help ensure adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens.

For the years ended June 30, 2013 and 2012, the Hospital Service District received grants of \$690,603 and \$283,126 under this agreement, which is recognized as grant revenue in other operating revenues in the accompanying statements of revenues, expenses and changes in net assets. As a condition of the grant agreement, the Hospital Service District, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

(15) Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.



ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
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Notes to Financial Statements (Continued)

The Hospital Service District uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the Hospital Service District is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. EHR incentive payment revenue totaling \$319,340 and \$0 was received from Medicaid for the years ending June 30, 2013 and 2012, respectively. This revenue is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the Hospital Service District's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

(16) Subsequent Event Review

The Hospital Service District has evaluated subsequent events through December 23, 2013, the date which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Schedules of Net Patient Service Revenues  
For the Years Ended June 30, 2013 and 2012

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| Gross patient direct services                                      | <u>\$ 15,850,270</u> | <u>\$ 13,472,925</u> |
| Less:  |                      |                      |
| Contractual allowances   | (3,197,692)          | (1,124,285)          |
| Provision for uncollectible accounts                               | (724,278)            | (630,381)            |
| Discounts  | (509,399)            | (501,402)            |
| Uncompensated care reimbursement                                   | <u>-</u>             | <u>(353,750)</u>     |
| Total contractual allowances, discounts and uncollectible accounts | <u>(4,431,369)</u>   | <u>(2,609,818)</u>   |
| Net patient service revenues                                       | <u>\$ 11,418,901</u> | <u>\$ 10,863,107</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
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Schedules of Other Operating Revenues  
For the Years Ended June 30, 2013 and 2012

|   | <u>2013</u>         | <u>2012</u>       |
|---|---------------------|-------------------|
| Cafeteria                                   | \$ 16,609           | \$ 12,648         |
| Vending machine commissions                 | 3,055               | 3,282             |
| Rent income                                 | 27,023              | 60,340            |
| Medical record income                       | 5,272               | 4,438             |
| Grant - Rural Hospital UPL                  | 690,603             | 283,126           |
| Electronic health records incentive payment | 319,340             | -                 |
| Miscellaneous                               | <u>20,099</u>       | <u>58,348</u>     |
| Total other operating revenues              | <u>\$ 1,082,001</u> | <u>\$ 422,182</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Schedules of Other Operating Revenues and Expenses  
For the Years Ended June 30, 2013 and 2012

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Direct operating revenues   | \$ 15,850,270     | \$ 13,472,925     |
| Direct operating expenses   | <u>8,549,967</u>  | <u>7,541,471</u>  |
| Excess of direct operating revenues<br>over direct operating expenses     | 7,300,303         | 5,931,454         |
| Contractual allowances, discounts and uncollectible accounts              | <u>4,431,369</u>  | <u>2,609,818</u>  |
| Net excess of direct operating revenues<br>over direct operating expenses | <u>2,868,934</u>  | <u>3,321,636</u>  |
| General operating expenses:   |                   |                   |
| General services  | 1,280,780         | 1,196,694         |
| Financial and administrative services                                     | <u>2,277,067</u>  | <u>2,132,093</u>  |
| Total general operating expenses  | <u>3,557,847</u>  | <u>3,328,787</u>  |
| Other operating revenues  | <u>1,082,001</u>  | <u>422,182</u>    |
| Other operating expenses:   |                   |                   |
| Depreciation and amortization   | <u>171,651</u>    | <u>186,738</u>    |
| Excess of operating revenues over operating expenses                      | <u>\$ 221,437</u> | <u>\$ 228,293</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Schedules of Departmental Direct  
Operating Revenues and Expenses  
For the Years Ended June 30, 2013 and 2012

|                           | <u>Inpatient Revenues</u> |                     | <u>Outpatient Revenues</u> |                     |
|---------------------------|---------------------------|---------------------|----------------------------|---------------------|
|                           | <u>2013</u>               | <u>2012</u>         | <u>2013</u>                | <u>2012</u>         |
| Direct services:          |                           |                     |                            |                     |
| Anesthesiology            | \$ -                      | \$ -                | \$ -                       | \$ -                |
| Central Supply            | 480,104                   | 280,239             | 147,798                    | 169,169             |
| CT Scan                   | 57,673                    | 27,767              | 723,317                    | 650,952             |
| Daily patient services    | 702,820                   | 581,456             | -                          | -                   |
| EEG physician fees        | 585                       | 585                 | 1,170                      | 1,170               |
| Electrocardiology         | 7,070                     | 7,140               | 47,400                     | 42,070              |
| Emergency room            | 14,590                    | 14,165              | 366,865                    | 371,422             |
| Emergency room physician  | 14,622                    | 11,533              | 483,258                    | 497,379             |
| Kidmed                    | -                         | -                   | -                          | 10,215              |
| Laboratory                | 361,481                   | 343,150             | 1,605,908                  | 1,578,150           |
| MRI                       | 3,888                     | 5,171               | 66,321                     | 39,089              |
| Nuclear medicine          | 5,992                     | 6,082               | 12,110                     | 4,896               |
| Occupational therapy      | 121,143                   | 101,878             | 14,598                     | 16,292              |
| Operating room and Gastro | 2,810                     | 2,933               | 149,950                    | 105,932             |
| Other                     | 1,500                     | 1,675               | 2,324                      | 2,445               |
| Pharmacy                  | 1,051,202                 | 1,006,465           | 243,700                    | 252,070             |
| Physical therapy          | 151,130                   | 115,068             | 150,065                    | 190,729             |
| Psychiatric therapy group | 4,630                     | -                   | 5,902,180                  | 3,955,363           |
| Psychiatric unit          | 1,491,220                 | 1,776,122           | -                          | -                   |
| Radiology                 | 30,724                    | 28,019              | 226,309                    | 256,615             |
| Respiratory therapy       | 814,580                   | 704,475             | 101,917                    | 76,508              |
| Speech therapy            | 42,928                    | 33,396              | 13,274                     | 21,132              |
| Ultrasound                | 31,851                    | 40,815              | 199,263                    | 143,193             |
| Total direct services     | <u>\$ 5,392,543</u>       | <u>\$ 5,088,134</u> | <u>\$ 10,457,727</u>       | <u>\$ 8,384,791</u> |

| Total Direct Revenues |                      | Direct Operating Expenses |                     | Excess (Deficiency) of<br>Direct Revenues Over<br>Direct Operating Expenses |                     |
|-----------------------|----------------------|---------------------------|---------------------|---|---------------------|
| 2013                  | 2012                 | 2013                      | 2012                | 2013  | 2012                |
| \$ -                  | \$ -                 | \$ 350                    | \$ 1,772            | \$ (350)  | \$ (1,772)          |
| 627,902               | 449,408              | 205,083                   | 173,634             | 422,819   | 275,774             |
| 780,990               | 678,719              | 213,162                   | 190,648             | 567,828   | 488,071             |
| 702,820               | 581,456              | 1,987,944                 | 1,763,440           | (1,285,124)   | (1,181,984)         |
| 1,755                 | 1,755                | -                         | -                   | 1,755   | 1,755               |
| 54,470                | 49,210               | 4,368                     | 149                 | 50,102  | 49,061              |
| 381,455               | 385,587              | 61,163                    | 52,571              | 320,292   | 333,016             |
| 497,880               | 508,912              | 739,701                   | 726,973             | (241,821)   | (218,061)           |
| -                     | 10,215               | 799                       | 2,674               | (799)   | 7,541               |
| 1,967,389             | 1,921,300            | 903,996                   | 857,334             | 1,063,393   | 1,063,966           |
| 70,209                | 44,260               | 47,531                    | 44,266              | 22,678  | (6)                 |
| 18,102                | 10,978               | 8,333                     | 4,953               | 9,769   | 6,025               |
| 135,741               | 118,170              | 94,105                    | 81,770              | 41,636  | 36,400              |
| 152,760               | 108,865              | 3,048                     | 4,450               | 149,712   | 104,415             |
| 3,824                 | 4,120                | -                         | -                   | 3,824   | 4,120               |
| 1,294,902             | 1,258,535            | 627,543                   | 596,526             | 667,359   | 662,009             |
| 301,195               | 305,797              | 149,556                   | 163,093             | 151,639   | 142,704             |
| 5,906,810             | 3,955,363            | 1,911,314                 | 1,316,819           | 3,995,496   | 2,638,544           |
| 1,491,220             | 1,776,122            | 984,579                   | 1,013,409           | 506,641   | 762,713             |
| 257,033               | 284,634              | 273,489                   | 233,098             | (16,456)  | 51,536              |
| 916,497               | 780,983              | 224,893                   | 211,071             | 691,604   | 569,912             |
| 56,202                | 54,528               | 38,550                    | 39,366              | 17,652  | 15,162              |
| 231,114               | 184,008              | 70,460                    | 63,455              | 160,654   | 120,553             |
| <u>\$ 15,850,270</u>  | <u>\$ 13,472,925</u> | <u>\$ 8,549,967</u>       | <u>\$ 7,541,471</u> | <u>\$ 7,300,303</u>   | <u>\$ 5,931,454</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Schedules of Departmental Direct  
Operating Revenues and Expenses  
For the Years Ended June 30, 2013 and 2012

|                           | Salaries            |                     | Professional Fees |                   |
|---------------------------|---------------------|---------------------|-------------------|-------------------|
|                           | 2013                | 2012                | 2013              | 2012              |
| Direct services:          |                     |                     |                   |                   |
| Anesthesiology            | \$ -                | \$ -                | \$ -              | \$ -              |
| Central Supply            | 27,945              | 27,048              | -                 | -                 |
| CT Scan                   | -                   | -                   | -                 | -                 |
| Daily patient services    | 1,687,037           | 1,597,964           | 44,121            | 56,400            |
| Electrocardiology         | -                   | -                   | -                 | -                 |
| Emergency room            | -                   | -                   | -                 | -                 |
| Emergency room physician  | -                   | -                   | 739,701           | 726,973           |
| Kidmed                    | -                   | -                   | -                 | -                 |
| Laboratory                | 402,258             | 386,951             | 15,060            | 18,045            |
| MRI                       | -                   | -                   | 47,531            | 44,266            |
| Nuclear medicine          | -                   | -                   | -                 | -                 |
| Occupational therapy      | -                   | -                   | -                 | -                 |
| Operating room and Gastro | -                   | -                   | -                 | -                 |
| Pharmacy                  | 194,605             | 185,939             | -                 | -                 |
| Physical therapy          | -                   | -                   | -                 | -                 |
| Psychiatric therapy group | -                   | -                   | -                 | -                 |
| Psychiatric unit          | -                   | -                   | -                 | -                 |
| Radiology                 | 208,911             | 196,015             | -                 | -                 |
| Respiratory therapy       | 157,808             | 150,288             | 6,000             | 6,000             |
| Speech therapy            | -                   | -                   | 38,528            | -                 |
| Ultrasound                | -                   | -                   | -                 | -                 |
| Total direct services     | <u>2,678,564</u>    | <u>2,544,205</u>    | <u>890,941</u>    | <u>851,684</u>    |
| General services:         |                     |                     |                   |                   |
| Dietary                   | 165,527             | 162,063             | -                 | -                 |
| Housekeeping              | 118,263             | 103,555             | -                 | -                 |
| Laundry and linen         | -                   | -                   | -                 | -                 |
| Plant engineering         | <u>223,055</u>      | <u>178,474</u>      | <u>-</u>          | <u>-</u>          |
| Total general services    | <u>506,845</u>      | <u>444,092</u>      | <u>-</u>          | <u>-</u>          |
| Subtotals forward         | <u>\$ 3,185,409</u> | <u>\$ 2,988,297</u> | <u>\$ 890,941</u> | <u>\$ 851,684</u> |



| Other Expenses      |                     | Total               |                     |
|---------------------|---------------------|---------------------|---------------------|
| 2013                | 2012                | 2013                | 2012                |
| \$ 350              | \$ 1,772            | \$ 350              | \$ 1,772            |
| 177,138             | 146,586             | 205,083             | 173,634             |
| 213,162             | 190,648             | 213,162             | 190,648             |
| 256,786             | 109,076             | 1,987,944           | 1,763,440           |
| 4,368               | 149                 | 4,368               | 149                 |
| 61,163              | 52,571              | 61,163              | 52,571              |
| -                   | -                   | 739,701             | 726,973             |
| 799                 | 2,674               | 799                 | 2,674               |
| 486,678             | 452,338             | 903,996             | 857,334             |
| -                   | -                   | 47,531              | 44,266              |
| 8,333               | 4,953               | 8,333               | 4,953               |
| 94,105              | 81,770              | 94,105              | 81,770              |
| 3,048               | 4,450               | 3,048               | 4,450               |
| 432,938             | 410,587             | 627,543             | 596,526             |
| 149,556             | 163,093             | 149,556             | 163,093             |
| 1,911,314           | 1,316,819           | 1,911,314           | 1,316,819           |
| 984,579             | 1,013,409           | 984,579             | 1,013,409           |
| 64,578              | 37,083              | 273,489             | 233,098             |
| 61,085              | 54,783              | 224,893             | 211,071             |
| 22                  | 39,366              | 38,550              | 39,366              |
| 70,460              | 63,455              | 70,460              | 63,455              |
| <u>4,980,462</u>    | <u>4,145,582</u>    | <u>8,549,967</u>    | <u>7,541,471</u>    |
| 219,265             | 192,904             | 384,792             | 354,967             |
| 42,802              | 43,424              | 161,065             | 146,979             |
| 42,269              | 38,407              | 42,269              | 38,407              |
| <u>469,599</u>      | <u>477,867</u>      | <u>692,654</u>      | <u>656,341</u>      |
| <u>773,935</u>      | <u>752,602</u>      | <u>1,280,780</u>    | <u>1,196,694</u>    |
| <u>\$ 5,754,397</u> | <u>\$ 4,898,184</u> | <u>\$ 9,830,747</u> | <u>\$ 8,738,165</u> |

(continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Schedules of Departmental Direct  
Operating Revenues and Expenses (Continued)  
For the Years Ended June 30, 2013 and 2012

|   | Salaries           |                    | Professional Fees |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | 2013               | 2012               | 2013              | 2012              |
| Subtotals forwarded                         | <u>\$3,185,409</u> | <u>\$2,988,297</u> | <u>\$890,941</u>  | <u>\$851,684</u>  |
| Financial and administrative services       |                    |                    |                   |                   |
| Accounting                                  | 52,803             | 42,026             | -                 | -                 |
| Administration                              | 182,232            | 188,014            | -                 | 20,123            |
| Business office                             | 191,487            | 229,113            | -                 | -                 |
| Medical records                             | 129,236            | 117,519            | -                 | -                 |
| Risk management                             | 48,184             | 43,320             | -                 | -                 |
| Payroll taxes                               | -                  | -                  | -                 | -                 |
| Employee benefits                           | -                  | -                  | -                 | -                 |
| Other general and administrative expenses   | <u>-</u>           | <u>-</u>           | <u>-</u>          | <u>-</u>          |
| Total financial and administrative expenses | <u>603,942</u>     | <u>619,992</u>     | <u>-</u>          | <u>20,123</u>     |
| Total direct operating expenses             | <u>\$3,789,351</u> | <u>\$3,608,289</u> | <u>\$ 890,941</u> | <u>\$ 871,807</u> |

| Other Expenses     |                    | Total               |                     |
|--------------------|--------------------|---------------------|---------------------|
| 2013               | 2012               | 2013                | 2012                |
| <u>\$5,754,397</u> | <u>\$4,898,184</u> | <u>\$ 9,830,747</u> | <u>\$ 8,738,165</u> |
| 1,596              | 1,865              | 54,399              | 43,891              |
| 81,709             | 69,429             | 263,941             | 277,566             |
| 54,760             | 52,643             | 246,247             | 281,756             |
| 14,978             | 15,400             | 144,214             | 132,919             |
| 891                | 257                | 49,075              | 43,577              |
| 295,168            | 277,908            | 295,168             | 277,908             |
| 628,045            | 582,398            | 628,045             | 582,398             |
| <u>595,978</u>     | <u>492,078</u>     | <u>595,978</u>      | <u>492,078</u>      |
| <u>1,673,125</u>   | <u>1,491,978</u>   | <u>2,277,067</u>    | <u>2,132,093</u>    |
| <u>\$7,427,522</u> | <u>\$6,390,162</u> | <u>\$12,107,814</u> | <u>\$10,870,258</u> |

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Schedules of Board Fees  
For the Years Ended June 30, 2013 and 2012

| <u>Board Members</u>   | <u>2013</u> | <u>2012</u> |
|------------------------|-------------|-------------|
| Benjamin Bellard       | \$ 360      | \$ 320      |
| Myra Lewis             | 320         | 240         |
| Nicholas Bellard       | 280         | 200         |
| Claire Jackson         | 360         | 280         |
| Roger Boudreaux        | 320         | 360         |
| Michael Williams, M.D. | 400         | 360         |

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature. In accordance with Louisiana Revised Statute 46:1053(C)(2)(a), the Hospital Service District's board members receive \$40 for each day of attendance at meetings of the commission, not to exceed 12 meetings per year.

**INTERNAL CONTROL  
AND  
COMPLIANCE**

C. Burton Kolder, CPA\*  
 Russell F. Champagne, CPA\*  
 Victor R. Slaven, CPA\*  
 Gerald A. Thibodeaux, Jr., CPA\*  
 Robert S. Carter, CPA\*  
 Arthur R. Mixon, CPA\*  
 Penny Angelle Scruggins, CPA  
 Christine C. Doucet, CPA

Wanda F. Arcement, CPA,CVA  
 Allen J. LaBry, CPA  
 Albert R. Leger, CPA,PFS,CSA\*  
 Marshall W. Guidry, CPA  
 Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC\*  
 James R. Roy, CPA  
 Robert J. Metz, CPA  
 Alan M. Taylor, CPA  
 Kelly M. Doucet, CPA  
 Cheryl L. Bartley, CPA  
 Mandy B. Self, CPA  
 Paul L. Delcambre, Jr., CPA  
 Kristin B. Dauzat, CPA  
 Matthew E. Margaglio, CPA  
 Jane R. Hebert, CPA  
 Bryan K. Joubert, CPA  
 Stephen J. Anderson, CPA  
 W. Jeffrey Lowry, CPA  
 Brad E. Kolder, CPA, JD  
 Casey L. Ardoin, CPA

Retired:  
 Conrad O. Chapman, CPA\* 2006

\* A Professional Accounting Corporation

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
 Acadia-St. Landry Hospital Service District  
 Church Point, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Acadia-St. Landry Hospital Service District, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Acadia-St. Landry Hospital Service District's basic financial statements, and have issued our report thereon dated December 23, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Acadia-St. Landry Hospital Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Acadia-St. Landry Hospital Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Acadia-St. Landry Hospital Service District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Acadia-St. Landry Hospital Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
December 23, 2013

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT  
Church Point, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended June 30, 2013

| <u>Ref. No.</u>             | <u>Fiscal Year<br/>Finding<br/>Initially<br/>Occurred</u> | <u>Description of Finding</u> | <u>Corrective<br/>Action<br/>Taken</u> | <u>Corrective Action Planned</u> | <u>Name of<br/>Contact<br/>Person</u> | <u>Completion<br/>Date</u> |
|-----------------------------|---|-------------------------------|--|----------------------------------|---------------------------------------|----------------------------|
| CURRENT YEAR (6/30/2013) -- |   |                               |  |                                  |                                       |                            |
|                             |   | There were no findings noted. |  |                                  |                                       |                            |
| PRIOR YEAR (6/30/2012) --   |   |                               |  |                                  |                                       |                            |
|                             |   | There were no findings noted. |  |                                  |                                       |                            |